

LOCKPORT, FABIOUS, PARK
TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan
75-7512
GENERAL PURPOSE FINANCIAL STATEMENTS

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lockport, Fabius, Park Townships Fire Department	County St. Joseph
Audit Date March 31, 2004	Opinion Date August 3, 2004	Date Accountant Report Submitted to State: August 3, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as issued by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types	A	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	C	4
Notes to Financial Statements		5-9

CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

August 3, 2004

To the Fire Department Board
Lockport, Fabius, Park Townships Fire Department
St. Joseph County, Michigan

We have audited the accompanying general purpose financial statements of the Lockport, Fabius, Park Townships Fire Department, St. Joseph County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Fire Department has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lockport, Fabius, Park Townships Fire Department, St. Joseph County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES
March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>
<u>Assets</u>	<u>General</u>
Cash in bank	50 242 78
Accounts receivable	141 086 11
Prepaid expenses	<u>9 218 77</u>
Total Assets	<u>200 547 66</u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	<u>157 162 29</u>
Fund balance:	
Unreserved:	
Undesignated	<u>43 385 37</u>
Total Liabilities and Fund Balance	<u>200 547 66</u>

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	<u>Governmental Fund Type</u>
	<u>General</u>
Revenues:	
Charges for services – fire protection:	
Lockport Township	128 500 00
Fabius Township	127 750 00
Park Township	125 750 00
Flowerfield Township	12 000 00
Miscellaneous	<u>1 344 29</u>
Total revenues	<u>395 344 29</u>
Expenditures:	
Fire protection:	
Salaries, wages and payroll taxes	48 325 11
Supplies	5 887 82
Gas and oil	2 504 33
Telephone	3 347 83
Insurance	30 149 54
Utilities	4 128 69
Parts and maintenance	14 755 80
Audit and legal	17 760 67
Training	2 773 22
Buildings and grounds	654 00
Miscellaneous	3 033 82
Capital outlay	<u>281 443 41</u>
Total expenditures	<u>414 764 24</u>
Excess (deficiency) of revenues over expenditures	(19 419 95)
Fund balance, April 1	<u>62 805 32</u>
Fund Balance, March 31	<u><u>43 385 37</u></u>

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

EXHIBIT C

Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Charges for services – fire protection:			
Lockport Township	123 880 00	128 500 00	4 620 00
Fabius Township	129 380 00	127 750 00	(1 630 00)
Park Township	123 880 00	125 750 00	1 870 00
Flowerfield Township	12 000 00	12 000 00	-
Grants	23 945 00	-	(23 945 00)
Miscellaneous	<u>333 82</u>	<u>1 344 29</u>	<u>1 010 47</u>
Total revenues	<u>413 418 82</u>	<u>395 344 29</u>	<u>(18 074 53)</u>
Expenditures:			
Fire protection:			
Salaries, wages and payroll taxes	48 427 75	48 325 11	(102 64)
Supplies	5 200 00	5 887 82	687 82
Gas and oil	4 000 00	2 504 33	(1 495 67)
Telephone	3 500 00	3 347 83	(152 17)
Insurance	30 000 00	30 149 54	149 54
Utilities	5 000 00	4 128 69	(871 31)
Parts and maintenance	22 100 00	14 755 80	(7 344 20)
Audit and legal	16 700 00	17 760 67	1 060 67
Training	3 000 00	2 773 22	(226 78)
Buildings and grounds	10 500 00	654 00	(9 846 00)
Miscellaneous	3 930 00	3 033 82	(896 18)
Capital outlay	<u>297 587 25</u>	<u>281 443 41</u>	<u>(16 143 84)</u>
Total expenditures	<u>449 945 00</u>	<u>414 764 24</u>	<u>(35 180 76)</u>
Excess (deficiency) of revenues over expenditures	(36 526 18)	(19 419 95)	17 106 23
Fund balance, April 1	<u>36 526 18</u>	<u>62 805 32</u>	<u>26 279 14</u>
Fund Balance, March 31	<u>-</u>	<u>43 385 37</u>	<u>43 385 37</u>

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Lockport, Fabius, Park Townships Fire Department conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Fire Department contain all the Fire Department's funds and account groups that are controlled by or dependent on the Fire Department's executive or legislative branches.

The reporting entity is the Lockport, Fabius, Parks Townships Fire Department. The Fire Department is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Department as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in a fund categorized and described as follows:

General Fund

This fund is used to account for all financial transactions. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of charges for services. Charges for services are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Fire Department has not established the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

LOCKPORT, FABIOUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Fire Department provides no postemployment benefits to past employees.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2- Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated one bank for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>50 242 78</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	50 345 78
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>50 345 78</u>

The Lockport, Fabius, Park Townships Fire Department did not have any investments as of March 31, 2004.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 3 – Deferred Compensation Plan

The Fire Department does not have a deferred compensation plan.

Note 4 – Pension Plan

The Fire Department does not have a pension plan.

Note 5 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 6 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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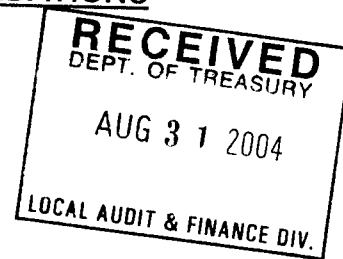
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 3, 2004

To the Fire Department Board
Lockport, Fabius, Park Townships Fire Department
St. Joseph County, Michigan



We have audited the financial statements of the Lockport, Fabius, Park Townships Fire Department, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Lockport, Fabius, Park Townships Fire Department in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Fire Department Board
Lockport, Fabius, Park Townships Fire Department
St. Joseph County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Fire Department Board
Lockport, Fabius, Park Townships Fire Department
St. Joseph County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Lockport, Fabius, Park Townships Fire Department will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Fire Department will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Department's financial statements and this communication of these matters does not affect our report on the Fire Department's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants